

Message Text

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SUBJ: GOP REQUEST FOR TAX REFORM ASSISTANCE

SUMMARY: GOP FINANCE MINISTER, DR. SILVA LOPES, REQUESTS U.S. HELP IN LOCATING EXPERTS TO COME TO PORTUGAL TO ASSIST IN REVISING COUNTRY'S TAX SYSTEM. GOP IS PREPARED TO PAY ALL EXPENSES. WE BELIEVE QUICK AND POSITIVE RESPONSE TO THIS REQUEST WOULD ABET U.S. STANDING WITH GOP. END SUMMARY.

1. MINISTER OF FINANCE SILVA LOPES HAS ASKED OUR ASSISTANCE IN LOCATING EXPERTS TO HELP THE GOP REVISE ITS TAX SYSTEM. DR. LOPES, WHO IS INTERESTED IN BOTH TAX ADMINISTRATION AND TAX POLICY, WOULD "AS A FIRST STEP LIKE TO HAVE A MISSION OF FOUR OR FIVE PEOPLE TO MAKE INITIAL CONTACTS AND ASSESSMENTS." HE ENVISAGES THAT SUBSEQUENTLY A TEAM OF EXPERTS WOULD BE FORMED TO WORK OUT THE RECOMMENDATIONS OF THE INITIAL TEAM. HE IS AWARE THAT U.S. TREASURY EXPERTS CAN BE MADE AVAILABLE FOR THIS PURPOSE (SEE PARA 2 BELOW). HE HAS ALSO HEARD THAT HARVARD UNIVERSITY HAS AN INTERNATIONAL TAX PROGRAM UNDER WHICH IT MAKES EXPERTS AVAILABLE TO FOREIGN GOVERNMENTS AND WOULD LIKE TO KNOW MORE ABOUT IT. DR. LOPES STATED GOP IS FULLY

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PREPARED TO PAY ALL EXPENSES RELATED TO THE VISIT OF

A TAX TEAM. (HE VOLUNTEERED THAT GOP DOES NOT INTEND TO PUT REQUEST INTO AZORES NEGOTIATION PACKAGE.) DR. LOPES SAID GOP ALSO LOOKING INTO POSSIBILITY OF OBTAINING A EAX EXPERTS TEAM FROM BRAZIL.

2. DR. LOPES GAVE US A COPY OF A LETTER DATED JULY 5, 1974, THAT HIS ASSISTANT (DR. VITOR FAVEIRO, DIRECTOR GENERAL FOR TAXATION) RECEIVED FROM NATHAN N. GORDON, DEPUTY ASSITANT SECRETARY FOR FOR INTERNATIONAL TAX POLICY, U.S. TREASURY DEPARTMENT, IN WHICH MR. GORDON STATES THAT MR. GORDON HILL, ACTING DIRECTOR OF FOREIGN TECHNICAL ASSIISTANCE STAFF IN THE INTERNAL REVENUE SERVICE, HAS STAFF AVAILABLE TO SUPPLY ASSISTANCE ON A REIMBURSEMENT BASIS. IN HIS LETTER, HOWEVER, MR. GORDON NOTES THAT MR. HILL'S GROUP DEALS PRIMARILY WITH TAX ADMINISTRATION AND NOT WITH TAX POLICY. MR. GORDON STATED, HOWEVER, THAT HE COULD SUPPLY THE NAMES OF SEVERAL QUALIFIED PERSONS DEALING WITH POLICY.

3. ACTION REQUESTED: A. EXPLORE WITH TREASURY DEPARTMENT THE POSSIBILITY OF FURNISHING GOP AS QUICKLY AS POSSIBLE WITH A TEAM OF EXPERTS CAPABLE OF ADVISING BOTH ON TAX ADMINISTRATION AND POLICY. B. SUPPLY US WITH INFORMATION ON THE HARVARD PROGRAM WHICH CAN BE TRANSMITTED TO DR. LOPES.

4. COMMENT: A. TIMING IS VERY IMPORTANT IN THAT THE MANDATE OF THE PROVISIONAL GOVERNMENT RUNS FOR LESS THAN A YEAR. QUICK AND EFFECTIVE ACTION ON THIS REQUEST WOULD BE A REASSURING SIGNAL TO GOP OF USG'S FAVORABLE DISPOSITION TOWARD PORTAGAL. WHILE GOP INTENDS TO PAY THE TAB, DR. LOPES STATED HE WOULD CONSIDER FACT THAT EXPERTS WERE BEING MADE AVAILABLE (I.E., IF TREASURY EXPERTS ARE SENT) WAS A FORM OF ASSISTANCE. GIVEN GOP'S DESIRE TO ACT QUICKLY, WE BELIEVE THAT BEST AND MOST COMPREHENSIVE EXPERTISE AVAILABLE SHOULD BE SUPPLIED ON INITIAL TEAM. DR. LOPES INDICATED THAT LANGUAGE NEED NOT BE A FACTOR IN SELECTION. ALTHOUGH HE WOULD LIKE LIMITED OFFICIAL USE

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EXPERTS WHO SPOKE PORTUGUESE, HE IS MORE INTERESTED IN HAVING THE MOST KNOWLEDGEABLE PEOPLE. GOP, HE SAID, IS PREPARED TO FURNISH TRANSLATORS AND INTERPRETERS AS NEEDED. B. DR. LOPES OFFERED NO EXPLANATION AS TO WHY HE DID NOT WISH TO SEE TAX ASSISTANCE CRANKED INTO AZORES PACKAGE. WE PRESUME, HOWEVER, THAT HE FEARS PROJECT COULD BECOME BOGGED DOWN IN NEGOTIATIONS AND DELAY REFORM WHICH THE PROVISIONAL GOVERNMENT WOULD

LIKE TO BEGIN AS QUICKLY AS POSSIBLE.
SCOTT

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